

UNITED CUTLERY CORP., et al.	:	
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v.	:	CIVIL NO. CCB-03-1723
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NFZ, INC., et al.	:	
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Plaintiffs United Cutlery Corporation and Kit Rae (“United Cutlery”) have brought this action against Defendants NFZ, Inc., Mohammed Aslam, Shawn Aslam, and John Sustar for copyright infringement, trademark infringement, false designation of origin, and unfair competition arising from defendants’ sale of allegedly counterfeit swords and cutlery that use plaintiffs’ copyrighted designs and trademark insignia. Now pending before the Court is Defendant Sustar’s motion to dismiss for lack of personal jurisdiction pursuant to Fed. R.Civ. P. 12(b)(2). For the reasons stated below, the motion will be granted.

United Cutlery is a Tennessee corporation that designs, manufactures, and distributes collectible display knives, swords. United Cutlery owns a number of copyrights for various knife and sword designs, thirteen of which are at issue in this case. Kit Rae, an employee of United Cutlery, owns the federally registered trademark “KIT RAE”, which Kit Rae and United Cutlery, as the exclusive licensee for the mark, have used extensively on their cutlery since 1994.

United Cutlery discovered that a variety of cutlery products, allegedly counterfeiting United

Cutlery designs and using the KIT RAE trademark, were being sold on the internet under the names Pricegoods and Cleveland Company in internet stores and auction sites, such as Ebay auctions, Ebay stores, and a Yahoo! Shopping site. Defendant Sustar, an Ohio resident and employee of Ford Motor Company, owns and operates Pricegoods and the Cleveland Company. Sustar purchased the products he sold through his internet sales company from various suppliers, including Defendant NFZ, a Maryland corporation doing business as Turkey Creek Trading Company, which provided all of the allegedly counterfeit products to Sustar. The products were then placed up for auction on the auction websites, and all sales were subsequently paid for over the internet by the winning bidders. After payment was cleared, Sustar shipped the items to the purchasers by U.P.S. or other ground delivery from a Cleveland, Ohio, shipping location. Sustar operated his internet business from his home office in the Cleveland area, and did not advertise or solicit business anywhere other than the internet auction sites.

On February 20, 2003, United Cutlery sent a cease and desist letter to Sustar, informing Sustar that he was infringing United Cutlery and Kit Rae's copyright and trademark by selling counterfeit products and demanding that Sustar discontinue such sales. The following day, Sustar spoke with counsel for United Cutlery and agreed to cancel all pending sales and distribution of the allegedly infringing products by 5:00 p.m. that day. Sustar also informed counsel that he bought all such products from NFZ by telephone or over the internet. NFZ maintained an inventory and shipped products to Sustar on demand. Sustar purchased the allegedly counterfeit products from NFZ over a period of six months and sold less than \$2,000 per month of such products.

According to the plaintiffs, Sustar did not cease sales of the cutlery products as promised, and

on February 22, 2003, sold an allegedly counterfeit knife and sword to an attorney at the law firm representing United Cutlery. Sustar shipped the sword to the attorney on March 14, 2003. (Plaintiff's Mot. for Def. Judgment, Decl. of William Long). United Cutlery and Kit Rae then filed suit against Sustar, NFZ, and NFZ's owners, Shawn and Mohammed Aslam, for violation of their proprietary rights in the signature cutlery products.

II.

Sustar has moved to dismiss the complaint against him for lack of personal jurisdiction. To withstand the motion, plaintiffs must make at least a prima facie case of personal jurisdiction, which requires proof of jurisdiction by a preponderance of the evidence. *See Mylan Laboratories, Inc. v. Akzo, N.V.*, 2 F.3d 56, 60 (4th Cir. 1993). In determining whether the exercise of personal jurisdiction would be proper, the court must resolve all factual disputes and construe all reasonable inferences in favor of the plaintiff. *Id.*

A.

A federal court may exercise personal jurisdiction over a non-resident defendant if (1) jurisdiction is authorized under the state's long-arm statute and (2) the assertion of jurisdiction comports with constitutional due process. *Christian Sci. Bd. of Dirs. of the First Church of Christ v. Nolan*, 259 F. 3d 209, 215 (4th Cir. 2001). The Fourth Circuit has held that Maryland's long-arm statute is co-extensive with the scope of jurisdiction permitted by the Due Process Clause of the Fourteenth Amendment, and therefore the statutory inquiry and the constitutional inquiry merge into one. *Stover v. O'Connell Assocs., Inc.*, 84 F. 3d 132, 135-36 (4th Cir. 1996).

The nature of the claim and the defendant's contacts with the forum state determine whether a

court may assert specific or general jurisdiction. Specific jurisdiction may exist where the claim is related to or arises out of the defendant's contacts with the state. *Helicopteros Nacionales de Colombia v. Hall*, 466 U.S. 408, 414, 104 S.Ct. 1868, 80 L.Ed. 2d. 404 (1984). Alternatively, a defendant may be subject to general jurisdiction in a suit entirely unrelated to the defendant's contacts with the forum state where the defendant maintains "continuous and systematic" contact with the state. *Id.* at 414-415 (quoting *Perkins v. Benguet Consolidated Mining Co.*, 342 U.S. 437, 438, 72 S.Ct. 413, 96 L.Ed. 485 (1952)).

In the instant case, United Cutlery does not contend that Sustar's activities in Maryland are extensive enough to subject him to general personal jurisdiction. Rather, United Cutlery asserts that specific personal jurisdiction applies because its claims of copyright and trademark infringement arise out of Sustar's contacts with Maryland through his purchases from NFZ and sales over the internet. Specifically, plaintiff alleges that Sustar is subject to personal jurisdiction under two provisions of Maryland's long-arm statute, which confer jurisdiction over an individual who: (1) "transacts any business" in the state, Md. Cts. & Jud. Proc. Code Ann., §6-103(b)(1); or (2) "causes tortious injury in the state or outside the state by an act or omission outside the state if he regularly does or solicits business, engages in any other persistent course of conduct in the state or derives substantial revenue from goods, foods, services, or manufactured products used or consumed in the state." *Id.* at §6-103(b)(4).¹

¹This court has determined that §6-103(b)(4) "pertains to the exercise of general jurisdiction." *Robbins v. Yutopian Enterprises, Inc.*, 202 F.Supp.2d 426, 428-429 (D.Md. 2002); *see ALS Scan, Inc. v. Wilkins*, 142 F.Supp.2d 703, 706 (D.Md. 2001). Since United Cutlery does not argue for the assertion of general jurisdiction, this provision is not relevant to the jurisdictional analysis.

Specific jurisdiction requires the court to determine “(1) the extent to which the defendant ‘purposely availed’ itself of the privilege of conducting activities in the State; (2) whether the plaintiff’s claims arise out of those activities directed at the State; and (3) whether the exercise of personal jurisdiction would be constitutionally ‘reasonable’.” *ALS Scan, Inc. v. Digital Service Consultants*, 293 F. 3d 707, 712 (4th Cir. 2002). A defendant has purposely availed himself of the privilege of conducting business in the forum state only if the defendant has created a “substantial connection” to the forum. *Ellicott Mach. Corp., Inc. v. John Holland Party Ltd.*, 995 F.2d 474, 477 (4th Cir. 1993). The Fourth Circuit has taken a restrictive view of the due process analysis of state long-arm statutes and has emphasized that a defendant’s contacts with the forum state must be tantamount to physical presence in the state to satisfy due process. *See ESAB Group, Inc., v. Centricut, Inc.*, 126 F.3d 617, 623 (4th Cir. 1997) (“The question, then, is whether a defendant’s contacts with the forum state are so substantial that they amount to a surrogate for presence and thus render the exercise of sovereignty just, notwithstanding the lack of physical presence in the state”); *The Harry and Jeanette Weinberg Found., Inc. v. ANB Inv. Mgt. and Trust Co.*, 966 F.Supp. 389, 391-92 (D.Md.1997).

United Cutlery argues that Sustar purposely availed himself of the privilege of conducting business in Maryland when he purchased the allegedly counterfeit products from NFZ by phone and over the internet. Plaintiff does not allege that Sustar ever entered the state for the purpose of transacting business, but simply that Sustar’s telephone and internet orders amount to sufficient contacts to subject him to personal jurisdiction for transacting business within the meaning of Maryland’s long-arm statute.

With regard to Sustar’s telephone orders from NFZ, the Fourth Circuit has ruled that “ordering

a product or service by telephone from a company in a different state does not subject the customer to that state's jurisdiction...[S]uch conduct does not establish the customer's 'presence' in that jurisdiction. On the contrary, the use of a telephone to facilitate transactions between remote locations serves as an *alternative to presence.*" *Stover*, 84 F.3d at 137; *see Ritz Camera Centers, Inc. v. Wentling Camera Shops, Inc.*, 982 F.Supp. 350, 354 (D.Md. 1997). Thus, plaintiff cannot establish personal jurisdiction over Sustar by virtue of Sustar's telephonic communications with NFZ.

With respect to Sustar's purchases from NFZ via the internet, such contacts are analogous to transactions over the telephone. *See Stover*, 84 F.3d at 137 (rejecting the notion that "presence" is established for personal jurisdiction purposes when an electronic connection (via telephone) transports the customer's order for a product or service into the forum state from outside the state). Arguably, the internet purchases create less of a connection with the forum state than telephone purchases because the internet is less intrusive and does not involve direct live communication.

Sustar's purchases, which took place over a period of six months and resulted in purchases totaling less than \$2000 per month, do not amount to transactions having a "substantial connection" with the forum. United Cutlery has not established that Sustar's contacts with Maryland or his business transactions with NFZ were substantial enough that Sustar "should reasonably anticipate being haled into court," *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297, 100 S.Ct. 559, 567 (1980), in Maryland.

B.

United Cutlery further argues that personal jurisdiction is proper based on Sustar's sales of allegedly infringing products over the internet. In *ALS Scan*, the Fourth Circuit addressed the question

of when a non-resident has conceptually “entered” the forum state by way of the Internet for jurisdictional purposes. 293 F.3d at 713. The Court adopted the “sliding scale” standard for Internet-based specific jurisdiction over non-resident defendants articulated in *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D. Pa. 1997), and further stated a three-prong test that permits the assertion of jurisdiction where the non-resident defendant “(1) directs electronic activity into the State, (2) with the manifested intent of engaging in business or other interactions within the State, and (3) that activity creates, in a person within the State, a potential cause of action cognizable in the State’s courts.” 293 F.2d at 714.

United Cutlery does not allege that Sustar sold the products at issue through his own website or one that he maintained or controlled. Rather, plaintiff points only to sales made by Sustar through internet auctions on sites such as Ebay and Yahoo!. In *Winfield Collection, Ltd. v. McCauley*, 105 F.Supp.2d 746 (E.D. Mich. 2000), the plaintiff similarly brought a copyright infringement action against the defendant for selling crafts using the plaintiff’s craft patterns on the Ebay internet auction site. The defendant sold crafts to two residents of the forum state who happened to be the highest bidders. In declining to assert jurisdiction over the defendant for such internet activity, the court took judicial notice of the fact that the purpose of an auction is to award the property offered to the highest bidder and that the seller exercises no control in determining who the highest bidder will be. *Id.* at 749. “Thus, Defendant cannot be said from these sales of this kind to have ‘purposefully availed herself’ of the privilege of doing business in Michigan. Such sales are a ‘random’ and ‘attenuated’ contact.” *Id.*² See

²As in the instant case, the defendant in *McCauley* had repeatedly purchased the infringing material from the plaintiff prior to selling it on the internet. The court noted that these mail purchases did

Burger King Corp. v. Rudzewicz, 471 U.S. 462, 475 , 105 S.Ct. 2174, 2183, 85 L.Ed.2d 528

(1985) (“‘purposeful availment’ requirement ensures that a defendant will not be haled into a jurisdiction solely as a result of ‘random,’ ‘fortuitous,’ or ‘attenuated’ contacts”) (citations omitted).

Similarly, Sustar had no control over who the ultimate winner in the internet auctions would be. Although the websites were interactive and designed for the purpose of selling products to participating users, Sustar exercised no authority over maintenance of the websites, nor did he exert control over the audience they targeted. Given this lack of control, the court finds no evidence that Sustar “directed electronic activity” into Maryland with the “manifested intent of engaging in business or other interactions within the State.” His manifested intent was to sell to the highest bidder, regardless of the state in which the bidder resided.

United Cutlery proffers no evidence of internet sales by Sustar to Maryland residents. In fact, it provides evidence of just one internet sale which was made to a Georgia resident. United Cutlery’s general allegations of internet sales are insufficient to show that Sustar intentionally directed his internet business activities to Maryland residents.³ In *Carefirst of Maryland, Inc., v. Carefirst Pregnancy Ctrs., Inc.*, 334 F.3d 390 (4th Cir. 2003), the Fourth Circuit held that personal jurisdiction was improper in a trademark infringement case involving a semi-interactive website because, although the

not constitute purposeful availment sufficient to subject the defendant to personal jurisdiction in the forum state. 105 F.Supp.2d at 749.

³United Cutlery presumes that Sustar must have sold items to Maryland residents considering his internet transactions “in an industry with substantial sales in the mid-Atlantic and Southern states,” and considering the fact that he “has not denied selling infringing products to Maryland residents.” This assertion without proof is insufficient to show that Sustar has engaged in sales with Maryland residents. Furthermore, the burden is on the plaintiff to make a prima facie case of personal jurisdiction; Sustar has no obligation to prove the lack of jurisdiction by denying any alleged contacts with Maryland.

website was accessible by Maryland residents, the defendant did not activate it with the manifest intent of interacting specifically with Maryland residents. The Court found it particularly relevant that the only evidence of online communication between the defendant and the forum was a single donation made by the plaintiff's counsel, presumably to bolster the plaintiff's position. *Id.* at 401. Similarly, the only evidence of an internet transaction between Sustar and a purchaser is a single sale to a Georgia lawyer at the firm representing United Cutlery, just one day after Sustar agreed to discontinue all sales and distribution of the allegedly counterfeit products. Such evidence is insufficient to show that Sustar created the "substantial connection" with Maryland necessary to subject him to personal jurisdiction in the state. Only where the defendant "'deliberately' has engaged in significant activities within a State, or has created 'continuing obligations' between himself and residents of the forum, [has] he manifestly...availed himself of the privilege of conducting business there." *Burger King*, 471 U.S. at 475-476, 105 S.Ct. at 2184, 85 L.Ed.2d 528 (1985). United Cutlery has failed to show that Sustar engaged in such significant activities in Maryland.

For the foregoing reasons, Defendant Sustar's motion to dismiss for lack of jurisdiction will be granted.

A separate order is being entered herewith.

Date: December 1, 2003

/s/
Catherine C. Blake
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

UNITED CUTLERY CORP., et al.

v.

NFZ, INC., et al.

CIVIL NO. CCB-03-1723

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ORDER

For the reasons stated in the accompanying Memorandum, it is hereby ORDERED that the Defendant John Sustar's motion to dismiss for lack of personal jurisdiction (docket no. 25) is Granted.

December 1, 2003

Date

/s/

Catherine C. Blake
United States District Judge